

Message Text

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47

ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01

AID-05 CIEP-01 TRSE-00 EB-07 /068 W

----- 003707

R 021501Z MAY 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 3709

INFO AMEMBASSY BEIRUT

USINT BAGHDAD

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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E.O. 11652: N/A

TAGS: EGEN PINT EG

SUBJECT: SADAT'S MAY DAY SPEECH: COST OF LIVING

ALLOWANCE APPEARS LESS DRAMATIC

A. CAIRO 4736; B. CAIRO 2846

1. IN HIS MAY 1 SPEECH AT ASSIUT (REFTEL A), PRES SADAT ANNOUNCED COST OF LIVING ALLOWANCE OF UP TO 30 PERCENT FOR ALL PERSONNEL IN CIVIL SERVICE, PUBLIC SECTOR, ARMY AND POLICE, PROVIDED TOTAL PAY DOES NOT EXCEED LE 50 PER MONTH. UNOFFICIAL DETAILS PUBLISHED IN PRESS INDICATE THAT DECISION MAY HAVE SOMEWHAT LESS DRAMATIC IMPACT THAN ANNOUNCEMENT INDICATED.

2. ALLOWANCE PERCENTAGE, IN ADDITION TO LIMITATION THAT TOTAL OF SALARY AND ALLOWANCE CANNOT EXCEED LE 50, IS REGRESSIVE: 30 PERCENT FIGURE APPLIES ONLY TO LOWEST CATEGORY OF EMPLOYEES COVERED (GRADE 10, BASE SALARY OF LE 12, ANNUAL STEP INCREASE OF LE 0.75 MONTHLY), AND THEN ONLY TO THOSE WHO ARE MARRIED WITH MORE THAN TWO CHILDREN. MARRIED
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EMPLOYEES IN GRADE 10 WITH UP TO TWO CHILDREN WILL RECEIVE

20PERCENT. SINGLE EMPLOYEES OR THOSE MARRIED BUT WITH NO CHILDREN, WILL RECEIVE 10 PERCENT. PERCENTAGE GETS SMALLER FOR HIGHER GRADES, AND IS 10PERCENT, 8 PERCENT AND 7 PERCENT RESPECTIVELY FOR ABOVE CATE

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GORIES IN GRADE 4 (LE 45, STEP INCREASE LE 3), HIGHEST GRADE THAT CAN BE GIVEN ALLOWANCES WITHOUT RUNNING INTO LE 50 CEILING.

3. SECOND CAVEAT THAT AFFECTS ALLOWANCES IS THAT IT WILL BE PAID ON THE BASE SALARY ONLY FOR EACH GRADE, NOT THE ACTUAL SALARY, I.E. BASE PLUS ANNUAL INCREASES, THEREFORE REDUCING THE PERCENTAGE FIGURE FOR ALL CATEGORIES OF EMPLOYEES WHO HAVE BEEN IN GRADE FOR MORE THAN ONE YEAR.

4. THIRD CAVEAT IS THAT ALLOWANCE WILL BE OFFSET BY ANY SALARY INCREASES OF PROMOTIONS EMPLOYEE RECEIVED SINCE 1 DEC 1974. FURTHER, IT WILL BE OFFSET BY ANY SALARY INCREASES WHICH MAY COME INTO EFFECT WHEN NEW EMPLOYMENT REFORM LAW IF PASSED. (PRES SADAT SAID IN SPEECH THAT HE HAS DIRECTED INCLUSION OF PUBLIC SECTOR EMPLOYEES IN NEW LAW. GOE HAD EARLIER REJECTED PEOPLE'S ASSEMBLY POSITION ON THIS MATTER, BECAUSE PUBLIC SECTOR EMPLOYEES BENEFIT FROM PROFIT SHARING, WHEREAS CIVIL SERVICE EMPLOYEES HAVE NO FORM OF INCENTIVE (REF B). (NO MENTION WAS MADE OF ARMY AND POLICE IN THIS CONNECTION.)

5. COMMENT: OFFICIAL REGULATIONS, WHICH MINFIN STATED WILL BE PUBLISHED IN TWO WEEKS, MAY DIFFER FROM DATA REPORTED ABOVE, BUT DETAILED NATURE OF PRESS PRESENTATION WOULD APPEAR TO INDICATE THAT MUCH OF IT IS BASED ON FACT. REGARDLESS OF EVENTUAL SITUATION, IMMEDIATE IMPACT IS ONE OF CONSIDERABLE DISAPPOINTMENT OVER GRATLY REDUCED SIGNIFICANCE OF INITIAL ANNOUNCEMENT. TEMPORARY NATURE OF ACTION, SINCE NEW LAW IS EXPECTED TO BE ISSUED IN NEAR FUTURE, ALSO DILUTES IMPACT. EILTS

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